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C O N F I D E N T I A L BUENOS AIRES 001129

SIPDIS

TREASURY TO WLINDQUIST; SAO PAULO TO WBLOCK

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SUBJECT: (C) ARGENTINA: CITIBANK ADVISES THAT HOLDOUT DEAL
LIKELY BY YEAR-END

REF: 1) BUENOS AIRES 1109 2) BUENOS AIRES 1042

Classified By: DCM Tom Kelly for reasons 1.4 (B) and (D).

¶1. (C) In an October 14 meeting with Ambassador Martinez and the DCM, President of Citibank Argentina Juan Bruchou said that an agreement between the GOA and the holdouts from the 2005 debt restructuring deal would be announced within two weeks. The target date for completion of the deal is December 15. Citibank is involved in the negotiations with the GOA along with Barclays and Deutsche Bank. Barclays, which represents the largest proportion of the holdouts, will be the global coordinator and Citibank and Deutsche the deal managers. Bruchou did not explain Citibank's specific role in the negotiations except to note that it was important that an American bank participate in the deal. The agreement would cover between USD 12-15 billion of the approximately USD 20 billion of the bonds outstanding. He promised to provide more detail to the Embassy on which bondholder groups were likely to accept the deal and which ones would stay out.

¶2. (SBU) Bruchou said that the components of the proposed agreement would likely resemble the 2005 restructuring deal in some ways, such as the possible issuance of warrants tied to future GDP growth. However, the bondholders would end up getting somewhat less per dollar of face value than those who accepted the earlier deal. Another component of the deal would be the issuance of about USD 1 billion in bonds by the GOA. The sides have still not agreed on an interest rate, with the GOA not willing to go above 10 percent and the banks insisting on between 11-12 percent. There will also be a need for the Congress to pass a new law authorizing the agreement. Bruchou did not foresee any problem with this, claiming that opposition politicians also favor a deal.

¶3. (C) Bruchou indicated that Citibank did not participate in the 2005 restructuring because it viewed the deal as unattractive for the bondholders. Now, after sitting on

non-performing assets for a number of years and going through the global financial crisis, the bondholders are interested in realizing whatever value they can from their holdings. Bruchou said the he had been involved in other attempt over the past year to achieve a breakthrough on this issue. However, the government's strongman - Nestor Kirchner - did not support the efforts. Asked by the Ambassador why this time was different, Bruchou said he thinks Kirchner understands that the GOA now needs money and has to regain access to the international credit markets in order to get through 2010 and into the 2011 election year without major fiscal problems.

¶4. (C) Toward the end of the meeting, Bruchou began hedging a bit. He said that he used to consult directly with President Cristina F. Kirchner (CFK). but now talks directly only to Economy Minister Boudou, adding that, in any event, it's Nestor's call, not Cristina's. He reported that Boudou insists he has a green light from the political echelon to move ahead with an agreement. However, Bruchou acknowledged that Boudou talks only to CFK and does not have a direct line to the person who makes the decisions.

MARTINEZ